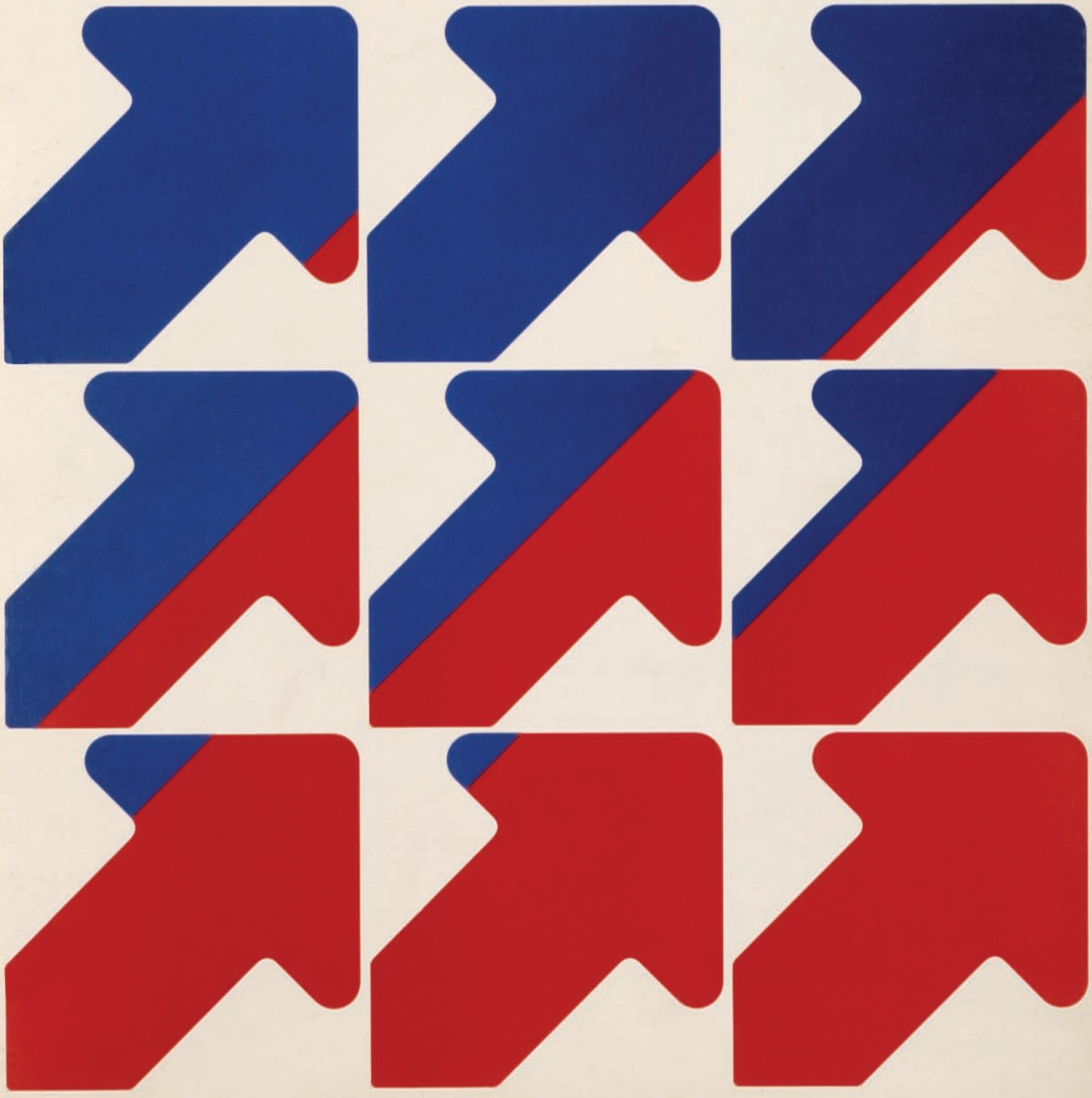
Sense66 A Marketing/Communications and Design Publication of Lippincott & Margulies

Marketing quicksand: the 70's



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"The climate in which management seeks to fulfill its goals is new and different, challenging the effectiveness of yesterday's strategy."

Broadening a dialogue/by Walter P. Margulies

How can you market your corporation effectively in the Seventies? Whether consciously or not, management is selling the corporation every day.

Management's objectives for the corporate sales and communications efforts must include optimizing today's profits and insuring the well-being of the corporation for tomorrow.

There are many publics that determine the success or failure of management, including consumers of the firm's prodmentshare holders, the financial comnew ity, the company's employees, and other less visible audiences such as governmental bodies.

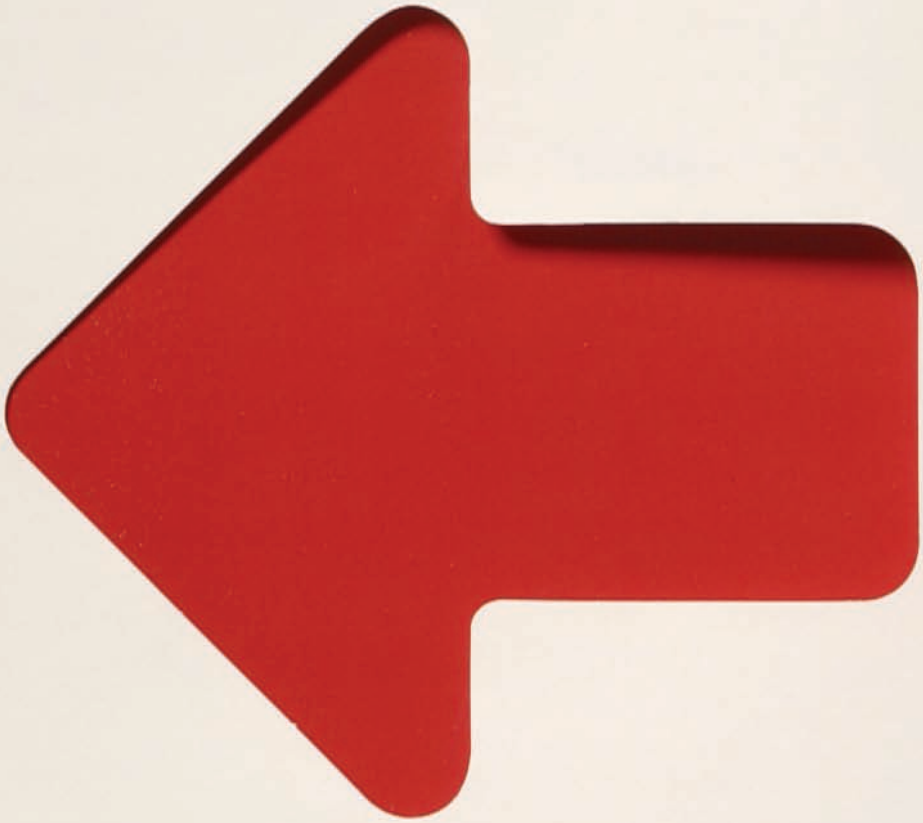
Indeed, in every area of the company's essential activities, a different government agency is keeping a watchful eye on the firm. The climate in which management seeks to fulfill its goals is new and different, challenging the effectiveness of yesterday's strategy.

Even the basic characteristic that management chooses to project in its effort to shape an effective marketing strategy for the corporation and its products must be reviewed cautiously for the new nuances of this decade. The unmixed blessing of yesteryear can turn out to be the burden in today's dynamic marketplace.

Corporate size itself is just one example of a company characteristic that needs a new appraisal for development of a marketing stance, not only in the wake of doubt cast upon size and power by the ITT problems, not merely because the Justice Department today frowns on size per se, but also because of some subtle and pervasive changes in consumer attitude which may affect a company's total approach to marketing to the broad spectrum of its publics.

The ITT scandal continues to reverberate on the multiple segments of the market through its tightly linked, albeit diverse, divisions. A domino theory of impacts may be felt throughout the business community for some time to come. The forces set in motion by the firm's problems have set the cause of business back by years.

We have analyzed not only the cyclical patterns but also the profound changes in attitudes within the financial community and we have found some new answers to the questions of the investment decision-maker. In an upcoming issue of



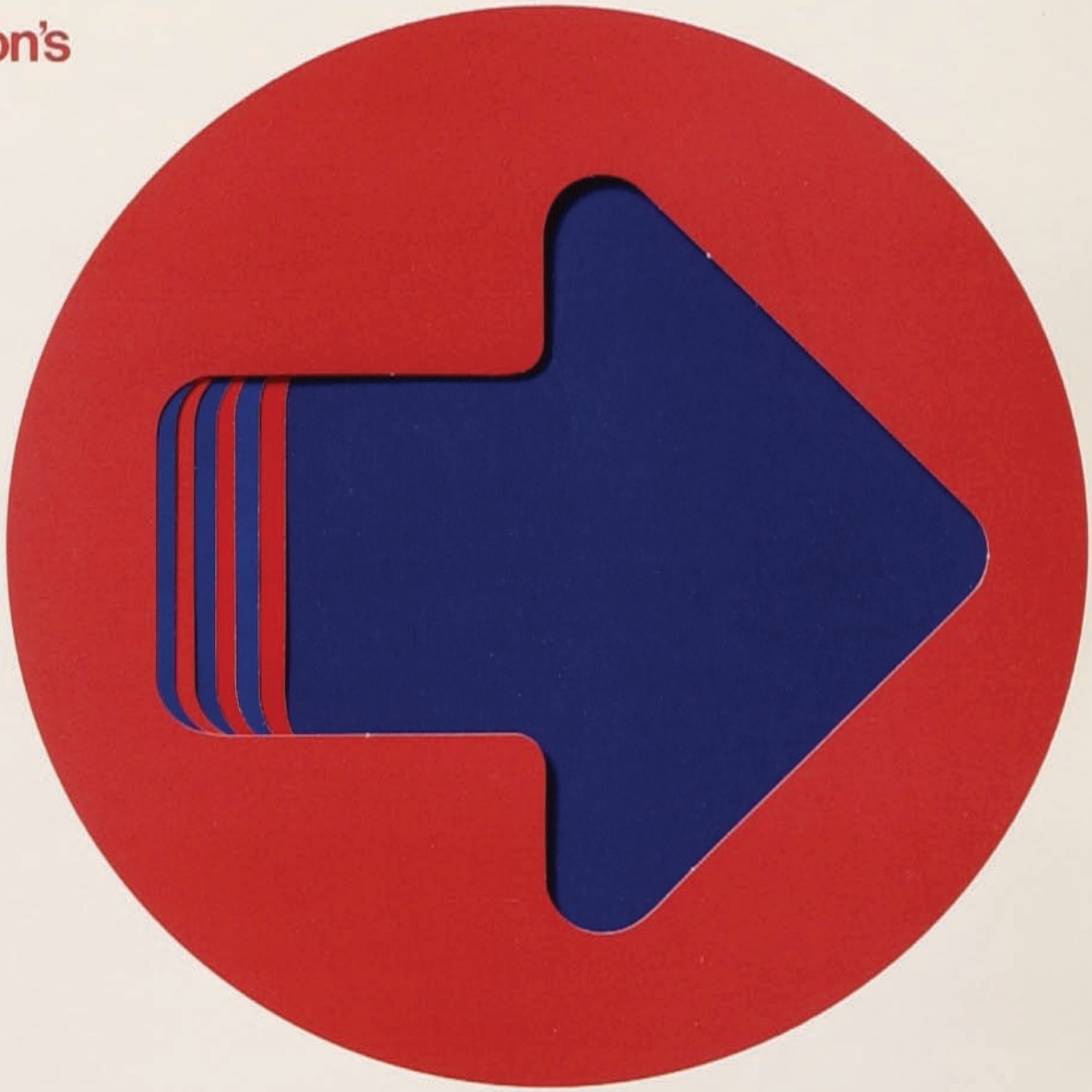
Sense, we plan to discuss the meaning of these changes by putting them into a New Perspective on Wall Street for the corporation of the Seventies.

We have tracked Consumerism from its earliest stirrings to discover both blatant and subtle effects in the marketplace. The new responses in marketing communications, product strategy, distribution and packaging emerge from our continuing research and analysis. The quality of the marketing response to the new marketing environment hinges on the ability to discern the abiding change amidst a welter of noise.

If we have been known for this ability to distill the meaningful from the trivial, it is because we have constantly developed new channels of communication with the diversified business community and with the multiplicity of its publics. Now we would like to broaden and extend our dialogue to encompass all the readers of *Sense*, so that we will continue to focus attention on those subjects of greatest concern and urgency.

We would like you to express your priorities to us, and we encourage you to take issue with us. It is out of continuing dialogue that we shape a New Perspective on Marketing in the Seventies.

The corporation's changing environment



The company president concerned with his daily need to communicate his company's diverse activities to the financial community finds himself in a maze of new rules and regulations that are still confounding his accountants, lawyers and financial officers.

On the one hand, he is fully aware that the financial analyst and the investor value his firm in terms of the estimated size and quality of the anticipated future earnings. The onus is upon him to produce sound growth.

On the other hand, the Justice Department has taken a dim view of his firm's expansion by acquisition or merger: "Bigness is bad."

ITT has become the classic illustration of the disastrous impact of carrying communications theory of the Sixties into this decade. The simplistic approach of a less complex era is fraught with dangers.

Some of our clients, however, have dealt successfully with both size and diversification. These firms have learned to distinguish between their diverse communications needs, localizing their dialogue with the factor and consumer marketplace, without losing the strength and character of the parent corporation in those communications areas where it provides a distinct advantage.

Turning to internal opportunities, a company president faces a series of challenges and problems. The need to introduce new products is based on urgent competitive and long-term considerations. But new product failure rates now run as high as 80 per cent.

The odds are longer than any he might envision in his own investment portfolio, but in the frantically competitive consumer marketplace of the Seventies, he faces a tough choice:

Stand still and let his competitors gnaw sales from his product line with new national, private and foreign brands, or gamble on his firm's new entries.

As one company president was struggling recently with the Gordian knot of new product development, his eyes caught the headlines of two publications on the corner of his desk.

One warned the American businessman about the growing technology gap and urged him to invest increasingly in the development of technology and innovation. The other was the Malthusian MIT

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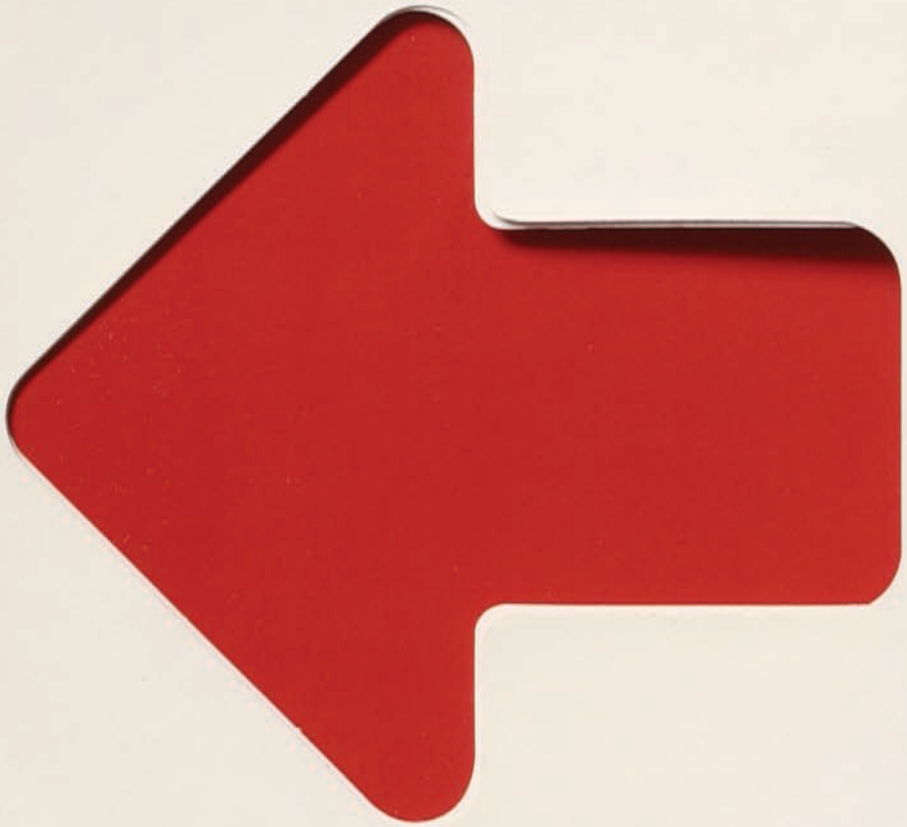


and Club of Rome reports, forecasting an end to the world if the businessman stays on his path toward continued growth.

In gambling on the new, he knows that he has to allocate more for each new product than he did in the profitable Sixties, and for a far more modest share of the pie. Fragmentation of the marketplace is not only a financial but a marketing reality today.

Business Week recently predicted:

"Of the roughly 100,000 soaps, foods and other products that will bomb in supermarkets during the 1970s—out of a total of 120,000 introductions—the advertising expense alone will add up to an estimated $5 billion for those being test-marketed and $7 billion or $8 billion for those introduced nationally."

The Shorn Samson of Advertising

Advertising is another major source of concern to management today. Its credibility has been challenged on a number of fronts, thus undermining some of its effectiveness. Simultaneously, the costs of advertising are increasing, while the mass audience is fragmented by the inroads of special vehicles in print and air media. The tough stance of government is difficult to ignore.

"We're writing our copy for Washington," comments J. Walter Thompson's Danny Seymour.

Because of the speeded-up tempo and numerical increase of new product introductions, the communications avalanche upon the consumer has grown exponentially, with inescapably diminishing returns in attention, impact and persuasion. In brief, a critical concern of the marketer today is the fact that he is paying more and more for inevitably smaller return in numbers of consumers reached and in ability to persuade them effectively about his product's characteristics.

The New Retailers of the Seventies

Distribution channels have been changing drastically, adding to the din of confusion that confronts the consumer at the retail level. More and more drugstores sell foods, while the supermarkets have long incorporated drug and pharmaceutical products. In urban centers, the traditional department store faces vigorous competition from boutiques and a revival of the specialty store. The suburban shopping center challenges the older inner city pecking order of retailers and new images must

be shaped, new shopping environments have to be created.

The marketer may be confronted with a need to review the distribution strategy for his product line, not only in terms of the consumer segments reached, but also in terms of the changing image of the retail outlet that rubs off on his product and firm.

On Wall Street, both foundation-supported and independent research services are selling monographs analyzing a variety of industries according to social and ecological concepts. A sprinkling of these new sociological and environmental measures of corporate responsibility are currently circulating among analysts.

The Invester: A Fickle Swain

Is it a fad? Does it have any impact on the valuation of a firm's securities? What does it mean in terms of the marketing strategy that management chooses for selling the corporation and its products?

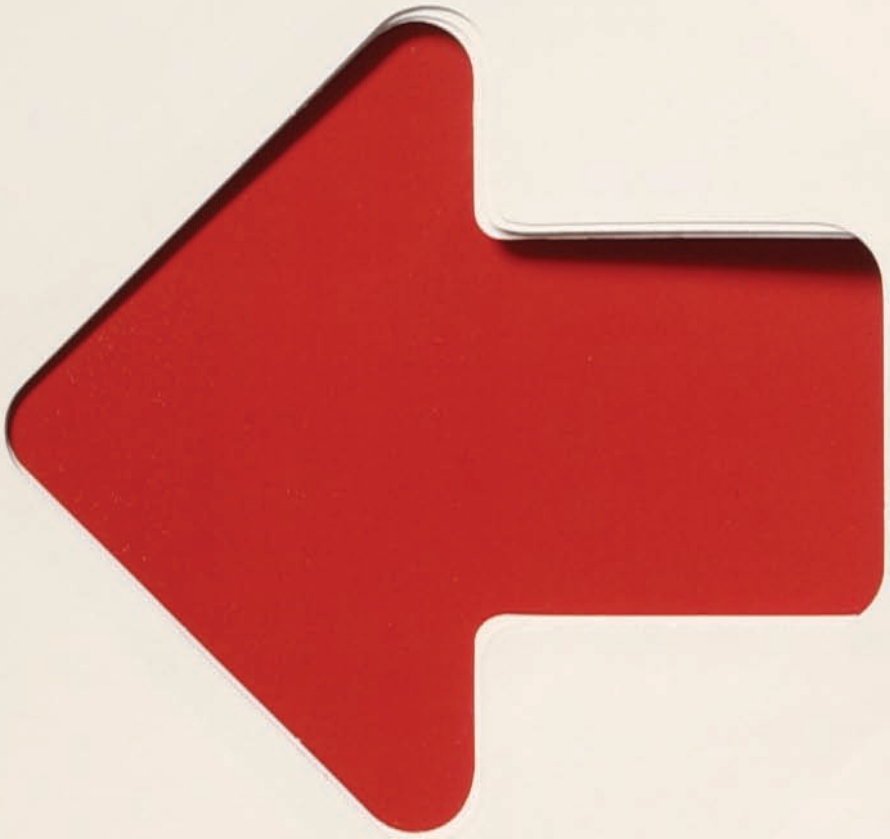
A recent incident may provoke additional thoughts. In Spring 1972, a highly vocal group of women organized a picketline against Wonder Bread in front of ITT's headquarters, because another and separate division of ITT manufactures a military product. An isolated example of political activism transferred from college campus into the marketplace?

One sole fact emerges clearly from the welter of conflicting trends, changing attitudes, speeded dynamics of the marketplace, and increasing consumer and government influences on the business environment:

This is no time for glib thought or action. Intelligent and probing analysis of daily events is essential to success. However, more than at any recent time, sensitivity and responsiveness to change must be combined with a sophisticated ability to discriminate between the isolated happening in the marketplace and the beginnings of genuine change.

The knowledge of the Sixties has become the conventional wisdom of the Seventies. And answers that were ideally suited to the conditions of a year ago aren't even addressing themselves to the questions that are being raised today.

"Should the entire corporate reputation be put on the line with every new product introduced into an uncertain and dynamically changing marketplace?"



Revolution in Corporate Communications

An apparent dichotomy emerges as risks increase. Should the entire corporate reputation be put on the line with every new product introduced into an uncertain and dynamically changing marketplace? How can a new product be endowed with sufficient strength without a tight link to its parent so that it can successfully capture the target share of this competitive market?

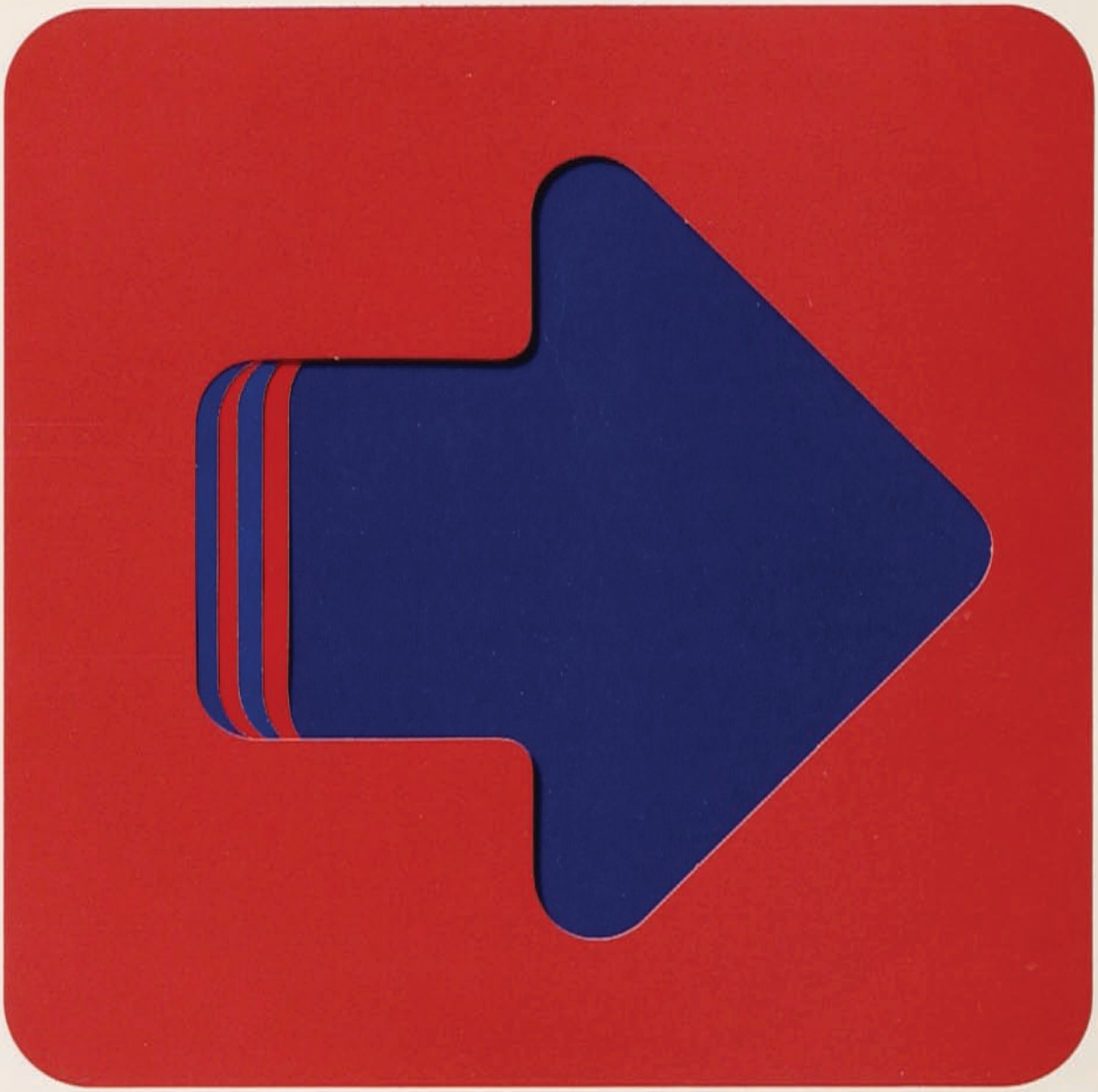
What is the role of the corporate headquarters operation vis-a-vis the local community where a plant may be located or a product line marketed? Should the thrust of communications directly and emphatically reflect overall corporate power, or is there an answer to be found in distinguishing between the local relationships and the national? Perhaps a new view of corporate headquarters as a resource for diverse national and local operations offers a partial answer.

These questions do not lend themselves to facile statements, but they are relevant to the development of an effective marketing strategy for the company and its products in this combustible era.

"All shareholders are consumers, and a large number of consumers are shareholders today." This truism sounds oddly superficial. Consumer needs are far more complex. And, in his role as an investor, the same consumer is influenced not only by his experience in the marketplace, but by a variety of other expectations, frequently in conflict with his desires as a consumer. Corporate communications must address him in both contexts.

The most modern corporation today is not a monolithic entity. Its management is continuously aware of its multiple roles as employer, marketer, innovator, stockholder and citizen. These many activities are as critical as the changing values and attitudes of the corporation's many publics, if the corporation is to shape an effective marketing strategy for the Seventies.

Research: helpful insights or data chaos?



"There's nothing wrong with our model. The consumer just didn't behave the way she should."

Who hasn't heard this comment from frustrated economists whose econometric models produced the wrong predictions?

The message is clear: Every marketing man knows that consumer behavior is hard to anticipate. And many an economist today is turning to the behavioral scientist, the psychologist, and the marketing man for help in feeding better assumptions into his model.

It's easy to make light of the other man's problem. But have our own marketing research techniques kept up with the times? All too often they have not. Even when the methodology or research design is foolproof, it's still easy to misread or misuse the findings. There's nothing shameful about this very common mistake; it's just awfully expensive.

How many firms can digest a $50 million Corfam error? How many companies can survive the multimillion failure of entire product lines, be it Red Kettle Soups or Gourmet Foods?

The trouble is that mistakes keep getting more and more expensive. And there's a whole Atlas of wrong roads to take in conducting and interpreting marketing research.

For instance, our mathematical and statistical techniques are designed to generate very precise findings. There's just one fly in the ointment. The answer that's mathematically precise right down to the fourth decimal point might be based on the wrong questions asked of the wrong people at the wrong time.

How Figures Can Lie

The most common and most serious problems rarely occur in the computation; most of the mistakes are in the assumptions. Even the prestigious Club of Rome — a conglomerate of organizations, businessmen and technical experts — managed to produce unadulterated pap in the research project reported in the book, *The Limits of Growth*. Aggressive promotion pushed the doubtful findings into the headlines. The mathematical and statistical techniques used in this Club of Rome research are the basic tools of econometrics and of sales forecasting. The underlying assumptions were pure nonsense.

Thus, even intellectual legerdemain becomes easier to perpetrate and more difficult to expose, when flimsy reasoning underlies sophisticated statistics.

It may be worthwhile to remember that, where marketing research is concerned, we're still missing a lot of vital linkages. Consumer behavior is based on a complex of economic, sociological, psychological and behavioral influences that have rarely lent themselves to accurate measurement. In a society that is moving as rapidly from previous paths as the United States in the Seventies, past fluctuations in consumer patterns may not translate into easy functional relationships for predicting future patterns.

It's in the fine art of creating an intelligent research design that we face the toughest challenge in the Seventies.

New Research Questions for the 70's

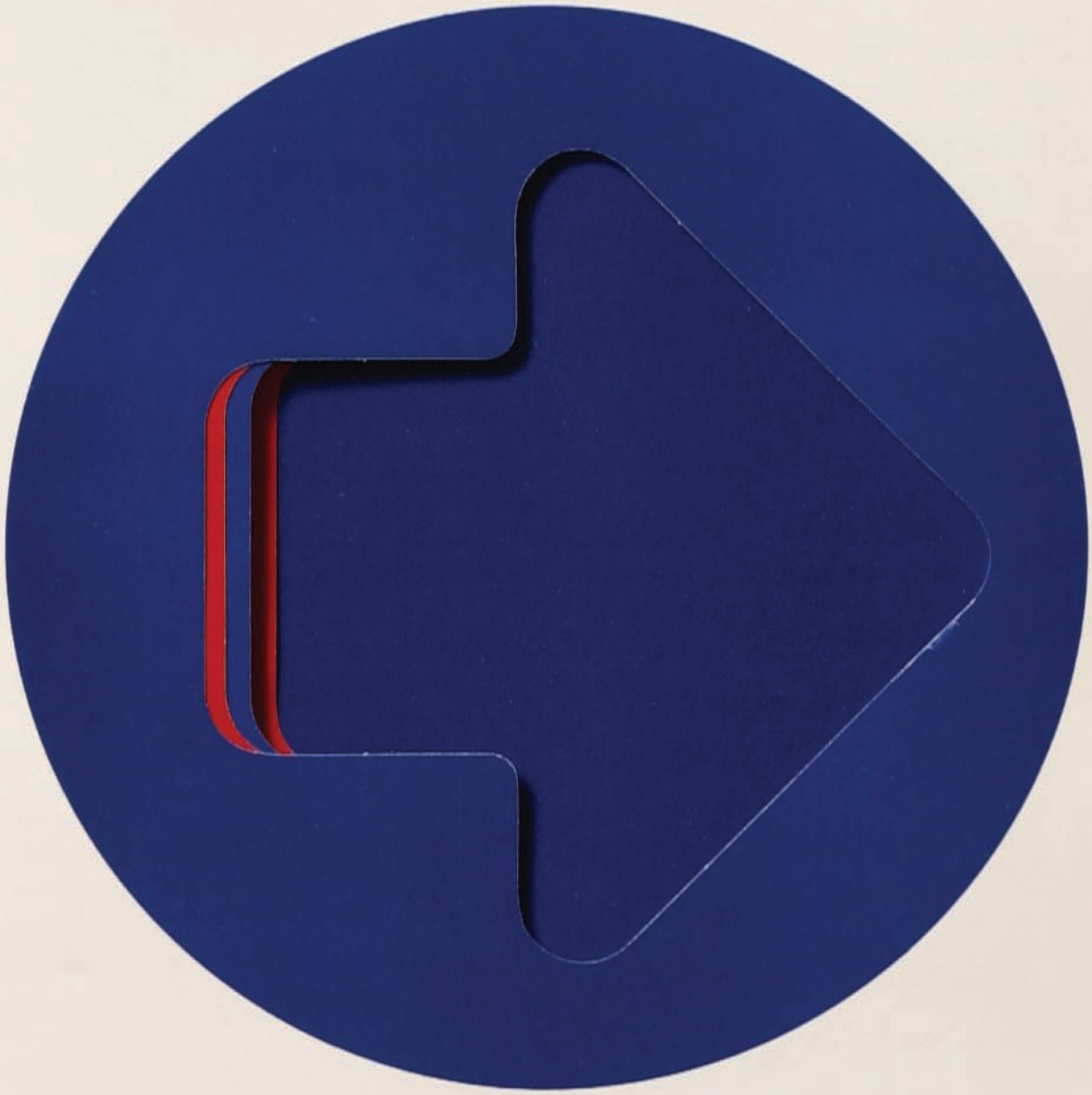
Just a handful of the methodological questions we should answer:

Are we excluding large and important groups of consumers when we use certain research techniques on those segments of our populations which are separated by language barriers or alienated by their economic or social condition? Do we know how and where to reach the young? Those who consider themselves disenfranchised?

Do the questions we incorporate into our research design mean the same thing to the suburban matron as they do to the working wife? The shopper in the ghetto? Are these questions phrased in a language as alien from the daily jargon and as out of step with usage as if they were in Chinese?

The problem of gauging human behavior and measuring intentions is far-reaching. So far, our educators have been stumped by the difficulty in communicating on a meaningful level with all the rich diversity of our population. Do we claim that commercial marketing research has succeeded where educational institutions have failed to date?

The marketer's problem is complicated by still another caveat: It is just as expensive to be ahead of one's time in the marketplace, as it can be costly to lag. Therefore, the marketer isn't merely trying to measure a change in attitude at one point in time. He may have to be equally alert to the rate of diffusion of such a change until it permeates a significant portion of his target public.



Obviously, greater knowledge and caution than ever is required in deciding what research to conduct and what decisions to base on it. Parenthetically, it it isn't necessarily the most publicized research that is the most reliable. But then, the marketing man has long been aware of the dangers implicit in hanging a trend on a headline.

In research, as in other disciplines combining art and science, it is the underlying reasoning that has the most telling impact on the significance of the results.

Consumer values and attitudes: fact and fiction

"Don't sell the steak. Sell the sizzle." This colorful saying moved from the world of marketing of the Fifties and Sixties into venture capital and new issues promotion in the late Sixties — with disastrous results both in the consumer marketplace and on Wall Street.

What's wrong with it today?

To some extent, the same things that were wrong with it yesterday, but in the Seventies changed consumer values make it essential to analyze this pompous platitude with greater care. Of course, the consumer derives a variety of psychological satisfactions from a product, in addition to its basic need fulfillments. Economic theory, which lags behind marketing insights in a number of areas, has finally incorporated the notion that every product is endowed with a variety of characteristics beyond its obvious prime use.

Are we saying, forget the sizzle? Of course not.

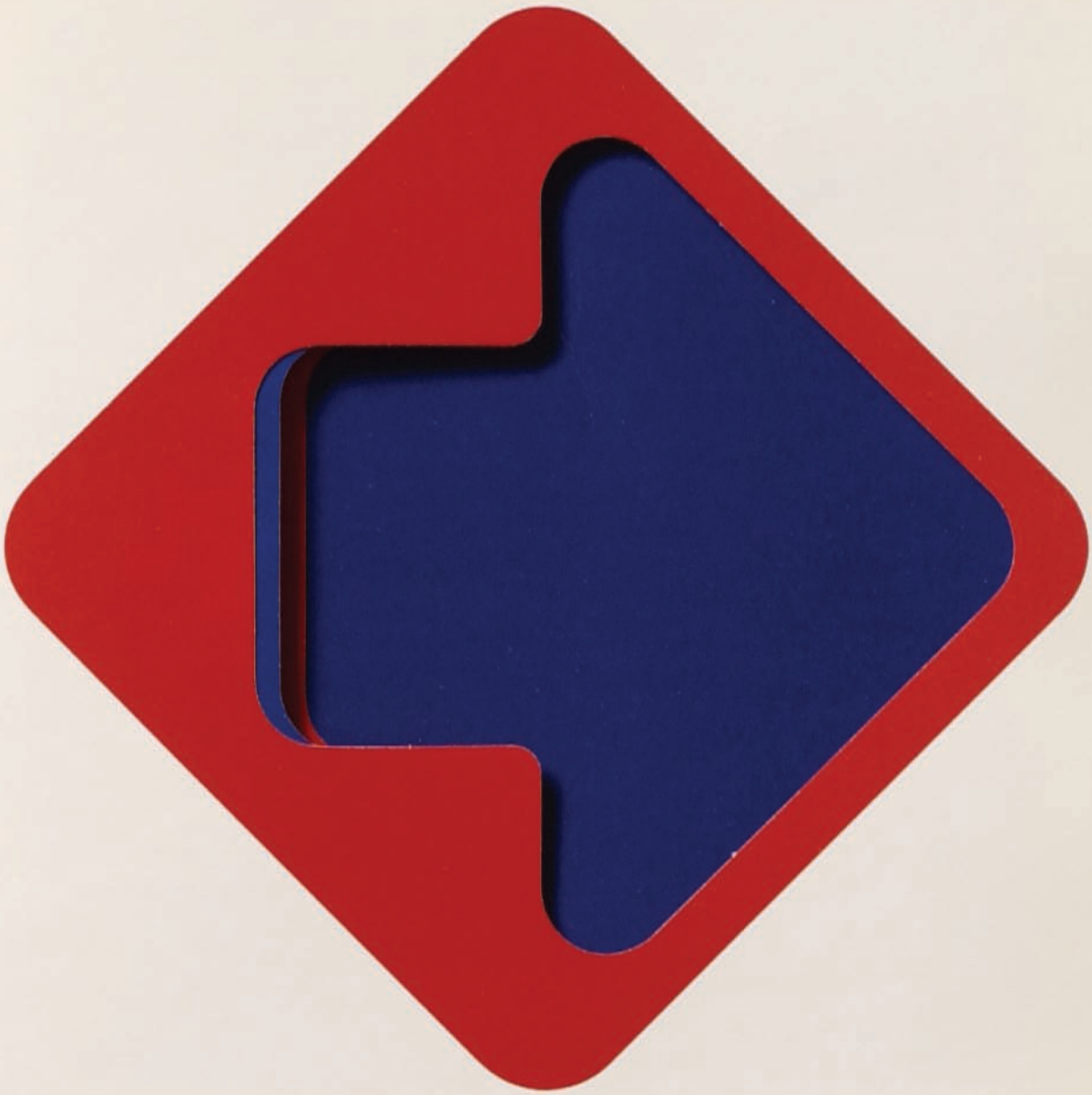
The message is far more complex and more deeply rooted in subtle changes in consumer values and attitudes in the Seventies, which research is only beginning to measure. But marketing intuition, experience and judgment, without numerical documentation, points up the folly and danger of excessive or unrealizable product claims that can only lead to consumer disenchantment.

In view of the changing mood in the marketplace, it was doubly jarring to find in an early-1971 issue of *Advertising Age,* an empassioned defense by Harvard's Ted Levitt of the "sell the sizzle" school of advertising and promotion. His reasoning seemed to be that advertising, like the arts, has innate title to poetic license, and he explained, excused and championed the manufacture of dreams as a flight of artistic imagery for a commercial purpose.

How to Sell "Steak and Sizzle" Today

The viewpoint seemed not only extreme, but strangely out of step with changing consumer tastes, sophistication and values. Indeed, if any marketer followed Ted Levitt's advice literally, he might incur some risks that have generally been overlooked in the competitive race after sales.

The greater the difference between the psychic benefits offered to the consumer in promotion urging the use of a product and that product's intrinsic ability to



satisfy these psychic needs, the less likely that the consumer will ever use the product again.

In other words, the promotion aimed at encouraging a first try can easily carry with it the reasons why the consumer will be disappointed if oversold. The false promise is remembered as vividly as the promise that has been kept, and sometimes more vividly.

An example from the recent history of a consumer service industry comes to mind. In the mid-Sixties, when Mary Wells took on the account, the Braniff name was barely known among air travelers. Apparently Mary Wells and her creative group felt that the first order of business was to put the Braniff name on the map, even if it took a Barnum and Bailey stunt to do so. The pink and blue planes and the Pucci strip have gone into history.

Few marketers, however, discuss the fact that Braniff passenger complaints about delays and scheduling problems simultaneously and instantly skyrocketed. A human reaction to the disparity between the implicit promise of glamour and the hard reality?

Where Are the Innovators of the 70's? The airline has since developed and promoted some genuine marketing innovations that address themselves to such previously unmet traveler needs as expediting luggage and other ground service improvements. Differentiating an airline from its competitors has been as challenging a chore as the marketing of other mass consumer services and products. The latter approach is certainly more deeply founded on a real consumer need, well understood and well promoted.

The moral seems obvious: It is not enough to emphasize the psychic satisfaction to a consumer in urging product use. If these satisfactions are virtually impossible to derive out of using the product, then today's consumer is unlikely to give the brand another try.

The FTC stepped sternly and forcefully into the advertising for Wonder Bread, showing little faith in the consumer's growing sophistication and demonstrating a vengeful and punitive attitude that does nothing to improve the effectiveness and efficiency of product marketing. It seems rather likely, in fact, that the extravagant and unrealizable promises of instant growth that Wonder

Bread advertising disseminated at the time would have led to an increasing amount of switching to a brand whose claims came closer to fulfillment.

Today's Effective Persuaders

The implicit caveat to the marketer might deserve restating:

In all marketing communications for a product, capitalize on those product strengths and characteristics that the consumer can perceive and accept. Don't sacrifice repeat sales by excessive and unrealistic promotion to encourage initial purchases. It is a difficult perspective to maintain when competitive pressures allow a new product only an average of 90 to 100 days from introduction on supermarket shelves to determination of sales success or failure. However, it is all the more essential to build a bridge in the communications between the characteristics inherent to the product and the changing demands that the consumer is making of the product.

The communications difficulty is further complicated by the difficulty in determining consumer expectations around products. Because of the time it takes for the diffusion of ideas and information, these expectations are not always identical with the expectations that diverse pressure groups feel or assume the consumer should have.

For instance, the consumer is and should be concerned about the nutritional value of the food she buys for the family. However, a literal translation of this expectation into promotion and communications could lead to error. Full-disclosure labeling, although the issue might soon be academic, is certainly a relevant marketing variable. Does it have a measurable influence on the consumer today?

A recent study tried to find the answer. Marketing research was used to measure the effect of full-disclosure labeling on the brand preferences of consumers. In other words, has the publicity generated by various reports about the nutritional value of some foods significantly changed what the consumer looks for in a product when she buys it?

The answer should not surprise the marketing sophisticate.

The more powerful the impact of each brand on the local marketplace, the better it resisted any competitive appeal, including full-disclosure labeling. It

became obvious that the consumer considered full-disclosure labeling as one of several elements documenting quality and value implicity in a brand.

Indeed, we had long found that not only the national, but the private brand must and can stand on a value concept, rather than relying on price competition. Strength in the marketplace is basically determined by the positioning of the brand and how the company backs it up as it moves through the channels to the consumer.

Obviously, a single study is a better base for questions than for conclusions. In appraising and anticipating the impact of Consumerism, however, there are some thoughts to keep in mind. Whether a particular aspect of Consumerism resulted from a "ground swell of discontent" in the kitchen or home of the consumer or whether it was a "manufactured" concept is not the productive question for the marketer. The relevant questions are rather whether it is being disseminated through consumer education, how it is received and accepted in the marketplace, and what its anticipated effect might be on the specific brand and product.

We find that continuing research into consumer attitudes and tracking changing values in our society in a variety of ways is essential to finding the abiding differences that today's marketer may have to consider in developing a marketing strategy in the Seventies.

Packaging: communicating with today's consumer

Packaging faces a giant chore in the Seventies.

Twenty years ago, packaging was simply the last supportive marketing communication to the consumer in the retail outlet, after a series of powerful impressions had been made upon her, particularly in the then new dynamic television medium. In that day of sponsored programming the marketer could feel confident that the consumer had been powerfully presold on the name and look of his brand long before she came into the local store. The role of packaging was one of projecting a continuing and integrated impression of the brand from its earliest exposure in advertising until it confronted the consumer in person.

It was a complex role even then, but today the responsibilities of packaging are increased immeasurably.

Preselling through advertising has been weakened beyond recognition for a number of reasons, some rooted in the fragmentation of all media audiences; some in the changing patterns of television buying, where scatter plans have long since replaced the sponsored program with its strong identification of product and parent company. Other dissipations of advertising strengths are exogenous and result from the multiple and conflicting pronouncements by government as it seeks to put limitations on product claims.

Powerful Local Impact

It has become more difficult for the mass consumer product marketer to rely on the preselling that occurs before the consumer enters the local retail outlet, and, axiomatically, the job assigned to packaging is more critical than it has ever been.

The temptation might be, in answer to this dissipation of advertising effectiveness, to have the packaging carry the advertising or sales message. Such a direct translation from problem into action can lead to nothing but increased clutter and confusion. It is true that the package must sell more effectively than ever before, but that does not mean incorporation of a message originally conceived for a page in a magazine or a commercial on television.

Pat responses to problems cannot produce the desired results. Consider the problem of packaging impact through

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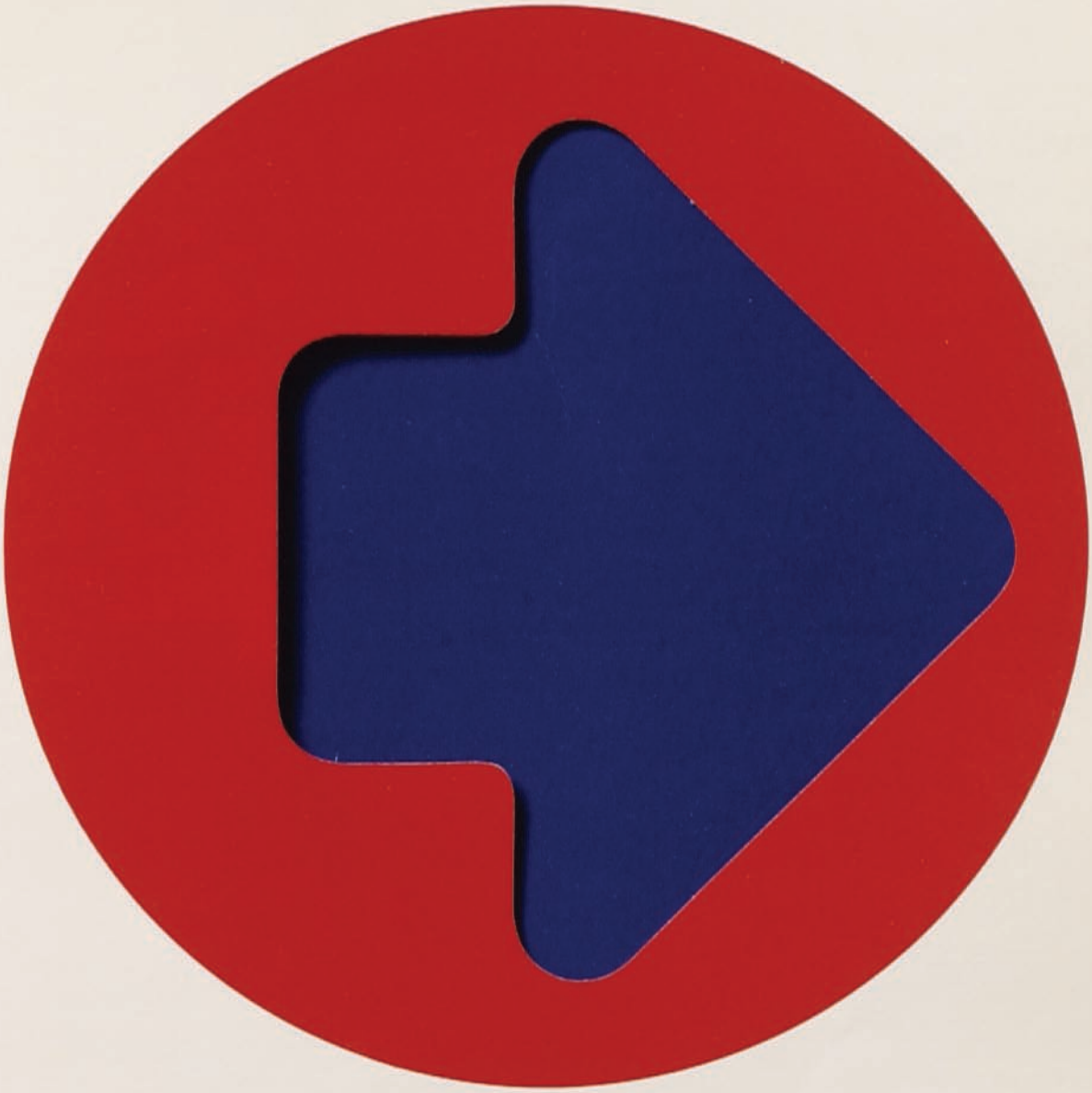

the eyes of the consumer. On the one hand, consumer sensibilities have been increasingly deadened by the visual assault of a busy environment. Product and message proliferation continues unabated, making it much more difficult for the individual brand to stand out from the noise. The growing violence in the environment coupled with the violence in entertainment media, may well inure the audience to the obvious attention-getting devices.

On the positive side, the growth of good resroduction techniques and the incipfromnterest in visual arts throughout the country have raised the taste level of the consumer well beyond the level of the Sixties. Whether she distinguishes a Miro from a Kline painting or not, she has been exposed to more good art than any prior generation of consumers.

Brands that Thrive in the Seventies

In brief, while it is more important than ever for a package to command her visual attention, there are no formulae that can be marshalled to the task. It is far easier to summarize the caveats, than to devise a system of rules that will be effective for every kind of product or every marketing strategy.

One obvious caveat concerns clutter or extraneous gimmickery in packaging, that tends to confuse and serves no purpose other than to distract attention from the intrinsic product merits.

Another caution derives from an observation that the marketing executive can make in virtually any supermarket today: Who has not seen a shopper pick a package off the shelf and shake it to find out whether the product fills out the promised quantity or rattles inside? An example of the influence of consumer education on expectations.

However, the responsibility of packaging does not end in the retail outlet when the brand is chosen and bought. Unless the package incorporates the use conveniences that the consumer has a right to expect, it will not accomplish its essential role of reinforcing her decision to use the product and buy it again.

It is imaginative understanding of the way the consumer uses the product that leads to the right packaging strategy, concept and construction.

Analysis and strategy: problem-solving for the seventies

In the March-April 1972 issue of the *Harvard Business Review*, "W. Porter Chandler, III", whomever he might be, cautions that "a lot of learning is a dangerous thing" for the successful businessman. This spoof by a latter-day Robert Benchley of the business community serves to point up the folly of one-sided answers to any business and marketing problem today.

At Lippincott & Margulies, we have long brought an eclectic and interdisciplinary approach to the solution of our clients' problems. When we present the overview of the changing Seventies in this issue, we are summarizing and distilling from our continuing experience in the marketplace, where the only accepted test of theory is the hard proof of tangible results in practice.

If marketing had one single underlying theory, then it might indeed be possible to develop sound functional relationships that could be pretested through mathematical manipulation on a computer. Unfortunately, as every marketer of any product or service, industrial or consumer, knows only too well, the variables change, sometimes considerably, from one situation to the next, and they defy equation and formulae.

Therefore, we continue to analyze every company's marketing problems within the framework of the best thinking from a variety of creative disciplines and from a wealth of practical business experience. We then develop a set of concepts, test them out in the marketplace, create a strategy based on both the problem and our subsequent findings and finally construct a detailed plan of action.

The diversity of strategies which are working successfully for our clients documents the extent to which both questions and answers today are different from earlier years.

Readers of this issue will find the following of special interest:

Sense 64/American Motors
The dramatic turnaround of an ailing giant. How improved management techniques and a full-scale corporate communications program put American Motors back in the black and repositioned the company for more effective competition in the years ahead.

Sense 62/Enter Superbrand
A unique marketing concept that substantially heightens corporate flexibility and communications efficiency. The Pathmark story, a new look in retailing.

Sense 59/The Vital Role of Communications in Mergers & Acquisitions
What's the most critical period in a merger or acquisition? Before? During? After? The often overlooked factor of corporate communications, its opportunities and problems. Detailed examination of each stage of corporate amalgamation, with useful checklists on what to do.

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